Supporting Statement for
Financial Statements filed by Bank Holding Companies
(FR Y-9C, FR Y-9LP, FR Y-9SP and FR Y-9CS; OMB No. 7100-0128) and
(FR Y-11Q and FR Y-11I; OMB No. 7100-0244)

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to revise, without extension, the following reports effective with the March 2001 reporting date. Implementation of the proposed new Schedule HC-S, Securitization and Asset Sale Activities, on the FR Y-9C would be delayed until June 30, 2001:

(1) the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128),
(2) the Parent Company Only Financial Statements for Large Bank Holding Companies (FR Y-9LP; OMB No. 7100-0128), and
(3) the Parent Company Only Financial Statements for Small Bank Holding Companies (FR Y-9SP; OMB No. 7100-0128).

In addition, the Board proposes to extend for three years, with revision, the following reports effective with the March 2001 reporting date:

(1) the Quarterly Financial Statements of Nonbank Subsidiaries of Bank Holding Companies (FR Y-11Q; OMB No. 7100-0244), and
(2) the Annual Financial Statements of Nonbank Subsidiaries of Bank Holding Companies (FR Y-11I; OMB No. 7100-0244).

Pursuant to the Bank Holding Company Act of 1956, as amended, the Federal Reserve requires bank holding companies (BHCs) to provide standardized financial statements to fulfill the Federal Reserve's statutory obligation to supervise these organizations. Bank holding companies file the FR Y-9C and FR Y-9LP quarterly and the FR Y-9SP semiannually. BHCs file the FR Y-11Q quarterly and the FR Y-11I annually for their nonbank subsidiaries.

Most of the proposed reporting revisions pertain to the FR Y-9C and are being requested to parallel revisions to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 and 041; OMB No.7100-0036). The Federal Reserve may incorporate revisions to these reports that may become necessary when the merchant banking investment capital rule is finalized or any other amendments to the Capital Adequacy Guidelines. Copies of the proposed reporting forms are provided in the attachment. Schedule lettering and titles used throughout this document refer to the existing schedule titles. However, as shown in the attachment, the Federal Reserve proposes to alter the schedule order for the FR Y-9C to align with the Call Report.

The total current annual burden for the FR Y-9 and FR Y-11 reports is estimated to be 327,061 hours. The overall reporting burden is estimated to decrease by a net 4,468 hours with these revisions. The number of respondents for the FR Y-9C, FR Y-9LP and FR Y-9SP is 1,730, 2,115, and 3,796, respectively. The number of respondents for the FR Y-11Q and FR Y-11I is 567 and 2,633, respectively.

Background and Justification

The FR Y-9 series of reports (FR Y-9C, FR Y-9LP, and FR Y-9SP) are standardized financial statements for the consolidated BHC and its parent. The Federal Reserve also has the authority to collect the FR Y-9CS, a free form supplement that may be utilized to collect any additional information deemed to be critical and needed in an expedited manner. The FR Y-9 reports historically have been, and continue to be, the primary source of financial information on bank holding companies between on-site inspections. Financial information from these reports is used to detect emerging financial problems, to review performance and conduct pre-inspection analysis, to monitor and evaluate capital adequacy, to evaluate BHC mergers and acquisitions, and to analyze a BHC's overall financial condition to ensure safe and sound operations.

The Federal Reserve implemented the FR Y-11 reports in 1970 to aid in determining the condition of bank holding companies that are engaged in nonbanking activities and in monitoring the volume, nature, and condition of their nonbanking subsidiaries. Financial information on nonbank subsidiaries is essential for monitoring their potential impact on the BHC or its subsidiary banks' condition. Consolidated and parent company only reports do not reveal the extent of the problems that may exist within the nonbank subsidiaries because the size and operations of bank subsidiaries can mask the operations of nonbank subsidiaries in a consolidated report.

In addition to providing information used in the supervision of bank holding companies, the FR Y-9 and FR Y-11 series of reports provide essential information to assist the Federal Reserve in the formulation of regulations and supervisory policies. The reports are also used by the Federal Reserve to respond to requests from Congress and the public for information on bank holding companies and their nonbank subsidiaries.

Description of the Information Collection

FR Y-9C

The FR Y-9C consists of standardized financial statements similar to the Call Report filed by commercial banks. The FR Y-9C includes consolidated data for the BHC. The FR Y-9C is currently filed by top-tier BHCs with total consolidated assets of $150 million or more and lower-tier BHCs that have total consolidated assets of $1 billion or more. In addition, multibank holding companies with total consolidated assets of less than $150 million with debt outstanding to the general public or engaged in certain nonbank activities must file the FR Y-9C.

Proposed Revisions

The Federal Reserve proposes to implement numerous revisions that will streamline the existing reporting requirements. These eliminations and reductions in detail will help the Federal Reserve achieve the objective set forth in Section 307(c) of the Riegle Community Development and Regulatory Improvement Act of 1994, which directs the banking agencies to review the information that institutions currently report in the Call Report and the BHC reports and eliminate existing reporting requirements that are not warranted for safety and soundness or other public policy purposes.

As part of the streamlining process, the Federal Reserve proposes several reporting changes that will introduce more uniformity to certain aspects of regulatory reporting. These changes would provide more uniformity within the holding company reports and also would bring several items into closer alignment with the Call Report and the Thrift Financial Report. For example, standard loan categories would be used for all of the schedules that collect loan information. However, not all loan-related items are needed on all schedules for supervisory purposes. Other proposed modifications to the BHC reports are intended to make the form and content more closely resemble the manner in which information is presented in financial statements that BHCs prepare in accordance with generally accepted accounting principles (GAAP) for other financial reporting purposes.

In addition to streamlining the existing FR Y-9C reporting requirements by eliminating information that is no longer of significant value, the Federal Reserve is also endeavoring to improve the relevance of the FR Y-9C by identifying new types of information that are considered critical to the Federal Reserves' supervisory data needs going forward. In so doing, the Federal Reserve has focused primarily on new activities and other recent developments that may expose institutions to new or different types of risk.

Furthermore, by proposing the following new reporting requirements at the same time as the FR Y-9C streamlining changes, BHCs will be able to make all of the necessary systems changes at one time. However, the new reporting requirements would be implemented on the same schedule as changes to the Call Report. The Federal Reserve believes that combining these various types of revisions into a single package should result in lower start-up costs and reporting burden for BHCs from a system's perspective.

The Federal Reserve proposes to make the following changes to the FR Y-9C, except for new information on securitization activities, effective with the March 31, 2001, reporting date. Proposed new information on securtization activities would be effective with the June 30, 2001, reporting date.

Changes Related to Proposed Changes to the Call Report

Schedule lettering and titles used throughout this notice refer to existing schedules. However, the Federal Reserve also proposes to alter schedule order and schedule titles to align with the Call Report.

Schedule HC -- Consolidated Balance Sheet

1. "Loans and leases held for sale" would be moved onto the balance sheet as a separate category under item 4, "Loans and lease financing receivables." This change will bring the FR Y-9C balance sheet presentation of these loans into conformity with GAAP. Loans and leases held for sale are currently included on the balance sheet in item 4.a, "Loans and leases, net of unearned income," together with loans that the holding company

has the intent and ability to hold for the foreseeable future or until maturity or payoff. However, loans and leases held for sale are separately identified in the loan schedule in Schedule HC-B, part I, Memorandum item 3. Loans and leases held for sale would continue to be reported with the holding company's other loans in the loan schedule (Schedule HC-B, part I).

2. Item 4.c, "Allocated transfer risk reserve," would be deleted from the balance sheet, but would be reported in the new regulatory capital schedule, which is discussed below. BHCs would report their loans and leases net of any allocated transfer risk reserve in the loan schedule (Schedule HC-B, part I).

3. Items 27.e, "Net unrealized holding gains (losses) on available-for-sale securities," 27.f, "Accumulated net gains (losses) on cash flow hedges," and 27.g, "Cumulative foreign currency translation adjustments," would be combined and reported as "Accumulated other comprehensive income." The first two of these components of "Accumulated other comprehensive income" would be separately identified in the proposed new regulatory capital schedule. This change would conform the presentation of the equity capital section of the FR Y-9C balance sheet to FASB Statement No. 130, *Reporting Comprehensive Income*.

4. A new item for "Other equity capital components" would be added to the equity capital section of the balance sheet. This item would include treasury stock and unearned Employee Stock Ownership Plan shares, which, under GAAP, are to be reported in a contra-equity account on the balance sheet. These items will continue to be reported separately in the proposed revised regulatory capital schedule. This change will make the equity capital section more consistent with GAAP and with the equity capital section of the balance sheet in the proposed bank Call Report and the Thrift Financial Report.

Schedule HC-A – Securities

1. New items on fair value and amortized cost information for six categories of asset-backed securities that are currently included in the items for "Debt securities" would be added to this schedule. The six categories that would be reported on Schedule HC-A, item 5, are securities backed by: a. credit card receivables, b. home equity lines, c. auto loans, d. other consumer loans, e. commercial and industrial loans, and f. all other loans. The Federal Reserve proposes to collect information to facilitate more effective assessments of BHC credit and other exposures related to their portfolios of asset-backed securities. Currently, virtually all non-mortgage asset-backed securities are reported in two FR Y-9C items: Schedule HC-A, items 4.a and 5.a, U.S. and foreign "Debt securities." The proposed segregation of specific categories of asset-backed securities from "Debt securities" would promote risk-focused supervision by enhancing the Federal Reserves' ability to assess credit exposures and asset concentrations.

2. Memoranda items 4.a., "Net unrealized holding losses on available-for-sale equity securities with readily determinable fair values" and 4.c., "Amount of net unrealized

holding gains on available for sale equity securities" would be moved to the new regulatory capital schedule, which is discussed below.

3. Memoranda item 9.c, "All other equity securities," (equity securities without readily determinable fair values), would be moved to a new item in Schedule HC-F – Other Assets. These equity securities are outside the scope of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Therefore, including them in the FR Y-9C with available-for-sale securities in Schedule HC-A, albeit at historical cost rather than at fair value, has not been consistent with GAAP. Moving equity securities without readily determinable fair values to Schedule HC-F is intended to eliminate this inconsistency.

Schedule HC-B, Part I – Loans and Leases

1. The definition of "Construction and land development" loans (item 1.a) and, hence, the definitions for the other categories of loans secured by real estate (items 1.b through 1.e) would be revised to make them consistent with reporting requirements in this area for savings associations as reported on the Thrift Financial Report. The FR Y-9C instructions for "Construction and land development" loans currently direct BHCs to exclude from this loan category loans to acquire and hold vacant land and construction loans with original maturities greater than 60 months. These two types of loans are instead reported as loans secured by farmland, 1-4 family residential properties, multifamily residential properties, or nonfarm nonresidential properties, as appropriate. The definitions for the five categories of "Loans secured by real estate" would be revised so that land loans and long-term construction loans would be reported in a recaptioned item 1.a, "Construction, land development, and other land loans."

2. The separate loan categories for "Loans to depository institutions" and "Acceptances of other banks" (items 3 and 4, respectively) would be combined.

3. Item 6.a, "Credit cards and related plans" to individuals for household, family, and other personal expenditures, would be split into separate loan categories for "Credit cards" and "Other revolving credit plans."

4. A single Memorandum item for the total amount of a BHC's "Loans and leases restructured and in compliance with modified terms" would replace the multiple Memorandum items in which BHCs must currently report information about such restructured credits (Memorandum items 1.a through 1.h.) Restructured loans secured by 1-4 family residential properties and restructured consumer loans would be excluded from the revised Memorandum item.

5. A new Memoranda item 3, "Loans secured by real estate to non-U.S. addressees (domicile)" would be added in order to enhance the Federal Reserve's ability to evaluate the performance of real estate loans by addressee.

6. The filing criteria for Part II, Trading Assets and Liabilities, would be modified. BHCs that report a quarterly average for trading assets of $2 million or more (new proposed item 4.a, Schedule HC-E) as of the March 31st report date of the current calendar year would complete Schedule HC-B, Part II. Analysis of quarter-end trading assets data indicate that using this reporting threshold would provide adequate coverage of BHCs actively involved in trading and would be comparable to the coverage of bank trading activity proposed for the Call Report. In addition, Part II, Trading Assets and Liabilities, would be formatted as a separate Schedule HC-D, to be consistent with presentation in the Call Report.

Schedule HC-F—Off-Balance-Sheet Items

1. The two-way breakout of Part I, item 2, "Standby letters of credit and foreign office guarantees," between item 2.a.(1), "To U.S. addressees," and 2.a.(2), "To non-U.S. addressees," would be replaced with a single combined item.

2. Part II, Item 3, "Securities borrowed," would no longer be collected from all BHCs. Instead, the amount of borrowed securities that exceed 10 percent of total equity capital[1] would be reported in renumbered item 9, "Other significant off-balance-sheet liabilities."

3. The information collected in Part II, items 5.a, 5.b, and 5.c on the outstanding principal balance of and amount of recourse on three categories of financial asset transfers would be moved from Schedule HC-F and incorporated into the proposed new schedule on securitization and asset sale activities, which is discussed below.

4. Part II, Item 6.b, "Participations in acceptances acquired by the reporting BHC," and Memorandum item 1, "Participations in unused commitments" would be deleted from Schedule HC-F, and information would be collected only on the proposed new regulatory capital schedule discussed below. Memorandum item 1 would be redefined to collect information on commitments with an original maturity exceeding one year on the new regulatory capital schedule.

5. Part III, Item 3.b for the gross notional amount of derivative contracts held for purposes other than trading that are not marked to market would be deleted. All derivative contracts, including those held for purposes other than trading, will be marked to market once a BHC adopts FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which is effective for fiscal years beginning after June 15, 2000. Thus, item 3.b will no longer have any relevance in 2001.

6. Part III, items 4.c.(1) and (2) for the gross positive and gross negative fair values of derivatives held for purposes other than trading that are not marked to market would be deleted because of the effect of FASB Statement No. 133.

In addition, items on Schedule HC-F would be renumbered and formatted to better align with the

[1] As described below, the Federal Reserve proposes to eliminate this reporting threshold.

order of items presented on Schedule RC-L, Off-Balance-Sheet Items, on the Call Report.

Schedule HC-G—Memoranda

1. The scope of item 14, "Income earned, not collected on loans," would be expanded to cover all "Accrued interest receivable," and the item would be included on a new "Other Assets" schedule discussed below. Broadening this category to include interest earned, not collected on earning assets other than loans would be more consistent with the typical presentation of accrued interest receivable in financial statements prepared for other financial reporting purposes.

2. Memorandum item 19, "Deferred tax assets in excess of regulatory capital limits," would be retitled as "Disallowed deferred tax assets" and moved to the revised regulatory capital schedule (Schedule HC-R), which is discussed below. This proposed change is part of an effort by the Federal Reserve to place all items collected principally for regulatory capital calculation purposes in a revised regulatory capital schedule rather than having these items scattered across various FR Y-9C schedules as they are at present.

3. Items 17.a through 17.d, in which banks report a six-way breakdown of the "Outstanding principal balance of 1-4 family residential mortgage loans serviced for others" would be moved from Schedule HC-G and condensed into a two-way servicing breakdown in the proposed new schedule on securitization and asset sale activities, which is discussed below.

4. Items 20.a through 20.f, which collect data on quarterly sales of annuities, mutual funds, and proprietary products, would be eliminated. In place of these items, each BHC would respond to a "yes" or "no" question asking whether it sells private label or third party mutual funds and annuities. In addition, BHCs would report the total assets under the reporting BHC's management in proprietary mutual funds and annuities. For BHCs with proprietary mutual funds and annuities, reporting the amount of assets under management should be significantly less burdensome than reporting the quarterly sales volume for these proprietary products.

5. Item 22, "Net unamortized realized deferred gains (losses) on off-balance-sheet derivative contracts included in assets and liabilities reported in Schedule HC," would be eliminated.

Schedule HC-H—Past Due and Nonaccrual Loans, Lease Financing Receivables, Placements, and Other Assets

1. The presentation of loan category information would be modified to better match the loan schedule (HC-B) as proposed by moving the current breakdown of loans secured by real estate from the Memoranda section of Schedule HC-H, item 4, to item 1 of Schedule HC-H, and item 5.a would be redefined to exclude related plans, which would be reported in item 5.b. In addition BHCs would separately report their past due and nonaccrual loans secured by real estate in foreign offices. Also the presentation order and certain item

captions would be revised to better align with Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, on the Call Report.

2. Memorandum item 6.b, "Replacement cost of [past due derivative] contracts with a positive replacement cost," would be deleted. Once BHCs adopt FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* all of their derivative contracts will be carried on the balance sheet at fair value. Since the replacement cost of a derivative contract is its fair value and its book value will also be its fair value, Memorandum items 6.a., "Book value of amounts carried as assets," and 6.b would duplicate each other. The caption for Memorandum item 6.a would be revised to read "Fair value of amounts carried as assets."

3. *Eliminating confidential treatment for certain past due and nonaccrual data*: The Federal Reserve proposes to eliminate the confidential treatment for items past due 30 to 89 days and restructured items beginning with amounts reported as of March 31, 2001. An important public policy issue for the Federal Reserve has been how to use market discipline to complement supervisory resources. Market discipline relies on market participants having information about the risks and financial condition of banking organizations. The FR Y-9C, in particular, is widely used by securities analysts, rating agencies, and large institutional investors as sources of BHC-specific data. Disclosure that increases transparency should lead to more accurate market assessments of risk and value. This, in turn, should result in more effective market discipline on BHCs.

   Despite this emphasis on market discipline, the Federal Reserve currently accords confidential treatment to the information BHCs report in Schedule HC-H of the FR Y-9C on the amounts of their loans, leases, and other assets that are past due 30 to 89 days and still accruing and on the amount of restructured loans and leases that are past due 90 days or more and still accruing or in nonaccrual status. This is the only financial information currently collected on the FR Y-9C that is treated as confidential on an individual BHC basis. In contrast, the information BHCs report on the amounts of their loans, leases, and other assets that are 90 days or more past due and still accruing or that are in nonaccrual status has been publicly available. The Federal Reserve proposes to make all past due and restructured loan and lease information publicly available in order to give the public, including BHCs, more complete information on the level of and trends in asset quality at individual institutions.

   Some banking organizations have held that information on loans, leases and other assets that are past due 30 to 89 days is not a reliable indicator of future loan losses or of general asset quality. They further note that market discipline would be reduced, rather than enhanced, by the release of information that is highly susceptible to misinterpretation to the extent that it could cause an unjustifiable loss of funding to the industry. However, supervisors have consistently found information on loans and leases past due 30 to 89 days to be helpful in identifying banks with emerging asset quality problems. Therefore the Federal Reserve believes that such information is a useful indicator of general asset quality and would not represent misleading information to the public. Moreover, BHCs have the option to include in their notes to the balance sheet a brief narrative statement that provides explanatory comments about any data disclosure which they feel may be subject to misinterpretation, the text of which is available to the public.

Schedule HC-I—Risked-Based Capital

The Federal Reserve proposes to revise the risk-based capital schedule (Schedule HC-I) by incorporating many of the reporting concepts of the FR Y-9C's optional regulatory capital worksheet. All top-tier BHCs with total consolidated assets of $150 million or more would continue to be required to complete the entire revised regulatory capital schedule. The proposed schedule will also more directly correspond to the proposed commercial bank Regulatory Capital schedule on the Call Report. Schedule HC-I would also be retitled "Regulatory Capital" and relabeled Schedule HC-R.

In general, the proposed revised format would use a systematic, step-by-step building block approach under which BHCs would report the various components and adjustments that determine Tier 1, Tier 2, and total capital, as well as risk-weighted assets. This means that all regulatory capital ratios – the Tier 1 leverage ratio, the Tier 1 risk-based capital ratio, and the total risk-based capital ratio -- would be derived directly from the items that BHCs report on this schedule. These ratios would also be disclosed in the schedule. The carrying values of all on-balance-sheet asset values and the face value or notional amount of most off-balance-sheet items used in the capital calculations would function as "control totals" and banks would allocate these amounts to the appropriate risk weight categories in accordance with the risk-based capital guidelines.

Existing items in Part III require the reporting of the major capital categories -- Tier 1, Tier 2, Tier 3, and total risk-based capital -- as well as risk-weighted assets and average total assets, which is used in the Tier 1 leverage ratio. The amounts reported in these existing items should be the amounts determined by BHCs for their own internal capital analyses consistent with the applicable capital standards. These items (Part III items 1.a through 4) are so-called self-reported capital items. The first part of the proposed revised regulatory capital schedule would essentially replicate the steps that BHCs are already going through to determine the major capital categories on a self-reported basis and therefore should not impose significant additional reporting burden. Moreover, to facilitate this proposed step-by-step building block approach to computing these capital categories, the Federal Reserve proposes to move a number of items that are collected principally for regulatory capital calculation purposes from their currently scattered locations in other FR Y-9C schedules to their more logical position in the proposed revised capital schedule. For example, as previously discussed the item for "Deferred tax assets in excess of regulatory capital limits" that is currently collected in Schedule HC-G – Memoranda, would now be included in the proposed revised Schedule HC-I (and retitled as "Disallowed deferred tax assets").

Overall, the Federal Reserve believes that the proposed revisions to the regulatory capital schedule provide a rational, systematic approach to reporting the elements of capital as well as the components of risk-weighted assets. The proposed approach should offer both enhanced and efficient reporting for both BHCs and users of the FR Y-9C report.

Schedule HC-S—Securitization and Asset Sale Activities

The Federal Reserve proposes to revise and expand the information collected in the FR Y-9C to facilitate more effective analysis of the impact of securitization and asset sale activities on BHC credit exposures. In this regard, the Federal Reserve proposes to introduce a separate new schedule (Schedule HC-S) effective with the June 30, 2001, reporting date that would comprehensively capture information related to BHC securitization and asset sale activities. At present, the FR Y-9C includes several items in various schedules that are used to assess BHC involvement in securitization and asset sale activities. The items generally focus on the securitization and sale of 1-4 family residential mortgages and consumer loans. However, over the past few years, the scope and volume of BHC asset securitization activities have expanded significantly beyond the traditional 1-4 family residential mortgage and consumer loan areas into other areas, most notably into the areas of home equity and commercial lending.

Under this proposal, BHCs involved in securitization and asset sale activities would report quarter-end (or year-to-date) data for seven loan categories similar to the manner in which they report their loan portfolios. These data would cover 1-4 family residential loans, home equity lines, credit card receivables, auto loans, other consumer loans, commercial and industrial loans, and all other loans. For each loan category, BHCs would report: (1) the outstanding principal balance of assets sold and securitized with servicing retained or with recourse or seller-provided credit enhancements, (2) the maximum amount of credit exposure arising from recourse or credit enhancements to securitization structures (separately for those sponsored by the reporting institution and those sponsored by other institutions), (3) the past due amounts and charge-offs and recoveries on the underlying securitized assets, (4) the amount of any commitments to provide liquidity to the securitization structures, (5) the outstanding principal balance of assets sold with servicing retained or with recourse or seller-provided credit enhancements that have not been securitized, (6) the amount of ownership (or seller’s) interests carried as securities or loans, and (7) the maximum amount of credit exposure arising from assets sold with recourse or seller-provided credit enhancements that have not been securitized. A limited amount of information would also be collected on BHC credit exposures to asset-backed commercial paper conduits. For the home equity line, credit card receivable, and the commercial and industrial loan categories, BHCs would also report the amount of any ownership (or seller’s) interests in securitizations that are carried as securities and the past due amounts and charge-offs and recoveries on the assets underlying these seller's interests.

At present, BHCs report certain information related to securitizations, asset sales, and servicing in current Schedule HC-F – Off-Balance-Sheet Items and Schedule HC-G -- Memoranda. To avoid the loss of this information until the delayed effective date of new Schedule RC-S, these existing items would be reported in the Memoranda section of Schedule HC-S for the March 31, 2001, report date. These existing items and what would happen to them after they are collected in the March 31, 2001, FR Y-9C are as follows:

1. Schedule HC-F, items 5.a.(1) and (2) and items 5.b.(1) and (2) -- in which BHCs report the outstanding principal balance and amount of recourse exposure on (a) “First lien 1-4 family residential mortgage loans” and (b) “Other financial assets” that have been transferred with recourse and are treated as sold -- would be collected in Schedule HC-S,

Memorandum items 4.a.(1) and (2) and items 4.b(1) and (2), for the final time as of March 31, 2001.

2. Schedule HC-F, items 5.c.(1) and (2) -- in which BHCs report the outstanding principal balance and amount of retained recourse on “Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994” -- would be collected in Schedule HC-S, Memorandum items 1.a and 1.b, as of March 31, 2001, and thereafter.

3. Schedule HC-G, item 17 – in which BHCs provide a six-way breakdown of the “Outstanding principal balance of 1-4 family residential mortgage loans serviced for others” by type of servicing contract -- would be collected in condensed form in Schedule HC-S, Memorandum items 2.a and 2.b, as of March 31, 2001, and thereafter. In addition item 2.c, which is not currently reported in the FR Y-9C, would be collected beginning as of June 30, 2001, consistent with the proposed reporting for Schedule RC-S.

Schedule HI—Consolidated Income Statement

1. Report the combined amount of tax-exempt loan and lease income in a single income statement item, Memoranda item 3. This would mean that, going forward, the body of the income statement (Schedule HI) would contain only two items for interest and fee income from loans (item 1.a.(1), “In domestic offices” and item 1.a.(2), “In foreign offices, Edge and Agreement subsidiaries, and IBFs”) and a single item (item 1.b) for income from lease financing receivables.

2. The breakout of interest income on balances due from depository institutions (by domestic versus foreign offices) would be eliminated. Currently, this information is reported in Schedule HI, items 1.c.(1) and 1.c.(2). Going forward, there would only be a total reported for this information.

3. The number of categories of securities income that BHCs are required to report would be reduced. BHCs would report their income for the three following categories of securities in the body of the income statement: (a) U.S. Treasury securities and U.S. government agency obligations, (b) Mortgage-backed securities, and (c) All other securities. BHCs would report their "Income on tax-exempt securities issued by states and political subdivisions in the U.S." in a new income statement Memorandum item 4 rather than in the income statement (Schedule HI) itself.

4. Item 2.c, “Interest on borrowed funds,” would be retitled “Interest on trading liabilities and other borrowed money.” The instructions for this item also would be clarified to include trading liabilities.

5. Item 4.a, "Provision for credit losses," would be revised so that it includes only the provision for loan and lease losses. BHCs would report any provision for credit losses on off-balance-sheet exposures in item 7.e, "Other noninterest expense" and they would itemize and describe this provision in Memoranda item 7, if it is significant.

6. Item 4.b, "Provision for allocated transfer risk," would be eliminated as a specific income statement item. BHCs would report any provision for allocated transfer risk in "Other noninterest expense" and itemize and describe it in Memoranda item 7 if it is significant.

7. *Noninterest income*: The Federal Reserve proposes to add several new noninterest income categories to those currently collected in the FR Y-9C income statement (Schedule HI). Noninterest income has grown substantially over the last few years as a source of revenue for BHCs. A more detailed breakdown of noninterest income would provide the Federal Reserve with valuable supervisory information on the amount and type of fee-generating activities within the BHC.

   These categories were selected in part based on a review of noninterest income information currently reported by BHCs in Schedule HI, Memoranda items 5 and 6. In these items, BHCs must itemize and describe, using their own terminology, their most significant categories of “Service charges, commissions, and fees” and “Other noninterest income.” Two of the proposed new income statement categories represent items, or modifications of items, for which specific preprinted captions currently appear in Schedule HI (Memoranda items 6.a and 6.b). As a result, these items would no longer be reported in the Memoranda section of Schedule HI. The categories of noninterest income that would be added as specific items on the FR Y-9C income statement are: (1) investment banking, advisory, brokerage, and underwriting fees and commissions, (2) venture capital revenue, (3) net servicing fees, (4) net securitization income, (5) insurance commissions and fees, (6) net gains (losses) on sales of loans, (7) net gains (losses) on sales of other real estate owned, and (8) net gains (losses) on sales of other assets (excluding securities). The current income statement item for “Other service charges, commissions, and fees” (item 5.b.(2)) would be discontinued. The new noninterest income items would provide greater comparability among the categories of noninterest income currently reported by BHCs. Some of the proposed noninterest income categories would represent the only information provided in the FR Y-9C on certain activities. By collecting more detailed noninterest income data, the significance of each of these activities can be compared to other income-generating activities of the BHC.

8. New item 7.c, "Amortization expense of intangible assets," would be added to the income statement (Schedule HI).

9. In Schedule HI – Memoranda, the threshold for itemizing and describing significant components of “Other noninterest income” and “Other noninterest expense” in items 6 and 7 would be changed to 1 percent of the total of interest income and noninterest income from the current threshold of 10 percent of other noninterest income and 10 percent of other noninterest expense, respectively. This revised threshold is consistent with the Securities and Exchange Commission’s threshold for the disclosure by bank holding companies of components of other noninterest income and expense.

10. Similar to the reporting revision proposed to Schedule HC-B, Part II, Trading Assets and Liabilities, the filing criteria for Memoranda item 9, “Trading revenue,” would be revised

to require BHCs to complete Memoranda item 9 only if they report a quarterly average for trading assets of $2 million or more as of the March 31st report date for the current calendar year.

11. The instructions for Memorandum items 10.a through 10.c that request BHCs to disclose the impact of derivatives held for purposes other than trading on interest income, interest expense, and noninterest income (expense) would be revised. For reporting beginning in 2001 when FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, is in effect, all derivatives would be reported on the balance sheet at fair value and the accounting for fair value and cash flow hedges under Statement No. 133 differs from current hedge accounting practices.

In addition, certain item captions would be modified to better align with similar information reported on the bank Call Report Income Statement.

Schedule HI-A-- Changes in Equity Capital

1. The Federal Reserve proposes to change the manner in which the previous year-end balance of equity capital is reported in this schedule so that it better corresponds with how this balance is presented in financial statements prepared in accordance with GAAP. At present, BHCs must report the "Equity capital end of previous calendar year" in the FR Y-9C in item 1. If the BHC has filed any amendments to this previous year-end FR Y-9C report that affected its originally reported total equity capital, these equity capital adjustments are reported in item 2, and the amended equity capital balance for the previous year-end is reported in item 3. The Federal Reserve proposes to eliminate item 2 and, in effect, have BHCs report what is now reported in item 3 as their previous year-end equity capital balance. Thus, as Schedule HI-A would be revised, BHCs would report "Equity capital most recently reported for the end of the previous calendar year" in item 1. The Federal Reserve also proposes to combine item 11, "Cumulative effect of changes in accounting principles from prior years," and item 12, "Corrections of material accounting errors from prior years," and designate the combined items as item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," of revised Schedule HI-A. The next item in revised Schedule HI-A (item 3) would then be captioned "Balance end of previous calendar year as restated."

2. Items 13.a, "Change in net unrealized holding gains (losses) on available-for-sale securities," 13.b., "Change in accumulated net gains (losses) on cash flow hedges," and 18, "Foreign currency translation adjustments" would be combined and replaced by an item for "Other comprehensive income." This item would also include any minimum pension liability adjustment recognized during the year-to-date in accordance with GAAP, which BHCs currently have to report elsewhere in Schedule HI-A. Identifying "Other comprehensive income" in the changes in equity capital schedule is consistent with FASB Statement No. 130, *Reporting Comprehensive Income.*

In addition, Schedule HI-A would be renumbered and certain captions would be modified to better align with the Changes in Equity Capital schedule on the Call Report.

Schedule HI-B—Charge-Offs and Recoveries on Loans and Leases and Changes in Allowance for Credit Losses

1. The presentation of loan category information would be modified to better match the loan schedule (HC-B) as proposed by moving the current breakdown of loans secured by real estate from the Memoranda section of Schedule HI-B, item 1, to item 1 of Schedule HI-B, and item 5.a would be redefined to exclude related plans which would be reported in item 5.b. In addition BHCs would also separately report their charge-offs and recoveries of loans secured by real estate in foreign offices. Also the presentation order and certain item captions would be revised to align with the Charge-Offs and Recoveries schedule on the Call Report.

2. The scope of Part II would be revised to cover changes in the allowance for loan and lease losses rather than the entire allowance for credit losses. In addition, similar to the proposal discussed above for Schedule HI-A – Changes in Equity Capital, the manner in which the previous year-end balance of the allowance is reported in Schedule HI-B, Part II, would be changed so that it better corresponds with its presentation in financial statements prepared in accordance with GAAP. At present, BHCs report the balance of the allowance as "originally reported" in their previous year-end FR Y-9C report in item 1. The effects of any amendments to the previous year-end FR Y-9C on the allowance as originally reported are included in item 3, "Adjustments." Item 1 would be revised to eliminate the need to report these adjustments from amended FR Y9-C reports in item 3. Thus, BHCs would report the "Balance most recently reported at end of previous year" for the year-end allowance for loan and lease losses in item 1.

3. Schedule HI-B, Part II, Memorandum item 1, “Credit losses on off-balance-sheet derivative contracts,” would be retitled “Credit losses on derivatives” and moved to Schedule HI, item 11.

Other Revisions Not Related to Call Report Changes:

The following proposed revisions are not directly related to the proposed Call Report changes for March 2001. Most of these changes are proposed to provide greater consistency with current Call Report items that are not part of the March 2001 revisions.

Schedule HC—Consolidated Balance Sheet

1. To better align the presentation of the FR Y-9C Balance Sheet with that of the Call Report Balance Sheet, components of item 7, “Other real estate owned,” and item 10, “Intangible assets,” and line items 16, “Commercial paper,” and 17, “Other borrowed money with a remaining maturity of more than one year” would be moved to Schedule HC-G, Memoranda.

2. Item 20, “Mandatory convertible securities,” with a two-way breakout between item 10.a, “Equity contract notes, gross” and item 10.b, “Equity commitment notes, gross” would be

eliminated. Information on mandatory convertible securities would be included in item 21, "Subordinated notes and debentures.

In addition, items on Schedule HC would be renumbered and certain line item captions modified to better align with information reported on the Call Report Balance Sheet.

Schedule HC-A—Securities

1. Memoranda item 7, "U.S. government agency and corporation obligations (exclude mortgage-backed securities)" would be moved to Schedule HC-A, as item 2. Currently a two-way breakout of this item is collected for such securities "Issued by U.S. government agencies" (Memoranda item 7.a) and for securities "Issued by U.S. government-sponsored agencies" (Memoranda item 7.b) from BHCs with total consolidated assets of $1 billion or more. These two items would replace the total reported for U.S. government agency and corporate obligations currently reported in item 2 and would be reported by all BHCs. The Federal Reserve proposes this change for consistency in reporting with the Call Report Schedule RC-B, Securities.

2. Memoranda item 8, "Mortgage-backed securities (MBS)," with the breakout between "Pass-through securities" (item 8.a) and "Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS)" (item 8.b) would be moved to Schedule HC-A, new item 4. These items would then be reported by all BHCs, rather than by BHCs with total consolidated assets of $1 billion or more. FR Y-9C data show that BHCs of $1 billion or more in total assets have long been actively involved in mortgage-backed securities. For 1999, mortgage-backed securities represented 45 percent of the total securities portfolio for BHCs of $1 billion or more in total assets.   Call Report data show that, for commercial banks between $150 million and $1 billion in total assets, mortgage-backed securities represented nearly 30 percent of their total securities portfolio in 1999. Given the suspected significance of BHC involvement in this activity at all levels, the Federal Reserve proposes to collect mortgage-backed security information from all FR Y-9C respondents. All commercial banks currently file this information on the Call Report.

3. The Federal Reserve also proposes to collect information on "Investments in mutual funds and other equity securities with readily determinable fair values" from all FR Y-9C respondents as new item 7 in order to assure the completeness and continuity of the reporting of BHC security holdings given the proposed changes to Memoranda items 7 and 8. Currently this information (Memoranda item 9.a) is collected only from BHCs with total consolidated assets of $1 billion or more. All commercial banks currently file this information on the Call Report.

4. Item 3.a, "Taxable securities" and item 3.b, "Tax exempt securities," would be combined. The caption would read "Securities issued by states and political subdivisions in the U.S."

5. Items reported for U.S. securities (item 4) and Foreign securities (item 5) would be modified to collect only U.S. debt securities and Foreign debt securities for consistency with the Call Report.

Schedule HC-B—Loans and Lease Financing Receivables

1. The three-way breakout for item 8, “All other loans,” would be collapsed to a single item, eliminating items 8.a, “Taxable obligations (other than securities) of states and political subdivisions in the U.S.” and 8.b, “Tax exempt obligations (other than securities) of states and political subdivisions in the U.S.” This change would provide for consistency in reporting with the Call Report Loan schedule.

In addition, items from Schedule HC-B would be renumbered to align with the presentation order on the Call Report Loan schedule.

Schedule HC-F—Derivatives and Off-Balance-Sheet Items

1. Item 2, “Financial standby letters of credit,” and item 2.a, Amount of financial standby letters of credit conveyed to others” would be added to provide for consistency in reporting this off-balance-sheet information with similar items collected on the Call Report, and to tie information reported in Schedule HC-F with off-balance-sheet information proposed in Schedule HC- R, item 44, “Financial standby letters of credit.”

2. Item 3, “Performance standby letters of credit,” and item 3.a, Amount of performance standby letters of credit conveyed to others” would be added to provide for consistency in reporting this off-balance-sheet information with similar items collected on the Call Report, and to tie information reported in Schedule HC-F with off-balance-sheet information proposed in Schedule HC-R, item 45, “Performance standby letters of credit.”

3. Item 9, “Other significant off-balance-sheet items (exclude off-balance-sheet derivatives) that exceed 10% of total equity capital” would be retitled as “All other off-balance-sheet items (exclude derivatives)” to capture all other off-balance-sheet exposures to provide for consistency in reporting this off-balance-sheet information with the similar item collected on the Call Report and would provide analysts a complete measure of the risk associated with these exposures.

Schedule HC-G—Memoranda

1. The two-way breakdown of deferred tax assets captured in item 1.a.(1), “IRS loan loss provision,” and item 1.a.(2), “Other,” would be eliminated in favor of a single item for “Net deferred tax assets” and the item would be included on a new “Other Assets” schedule discussed below. Similarly, the two-way breakdown of deferred tax liabilities captured in items 1.b.(1), “IRS loan loss provision,” and item 1.b.(2), “Other,” would be eliminated in favor of a single item for “Net deferred tax liabilities” and would be included on a new “Other Liabilities” schedule discussed below.

2. Item 3, “Number of full-time equivalent employees” would be moved to Schedule HI, Income Statement, memoranda item 5, to be consistent with presentation in the Call Report.

3. Item 7.a, “Amount of cash items in process of collection netted against deposit liabilities in reporting Schedule HC,” item 8, “Reciprocal demand balances with depository institutions (other than commercial banks in the U.S.),” and item 16, “Please describe and list below separately the dollar amount outstanding of assets removed from the reporting company’s balance sheet (Schedule HC) in connection with assets netted against liabilities when there exists a legal right of offset” would be eliminated.

Schedule HC-I—Risked Based Capital

1. Schedule HC-I, Part I, Memoranda item 6, “Fair value of mortgage servicing assets,” would be retitled as “Estimated fair value of mortgage servicing assets” and moved to Schedule HC-M, Memoranda item 18.a(1).

Schedule HC-IC—Additional Detail on Capital Components

Items on Schedule HC-IC would be included in the Memoranda section of the revised risk-based capital schedule. In addition, the Federal Reserve proposes the following changes.

1. Item 1.a.(4), “Other items included in ‘Minority interest in consolidated subsidiaries and similar items,’ on Schedule HC subject to limits in Tier 1 capital,” would be added to provide for a more complete disclosure of elements incorporated into the calculation of Tier 1 capital.

2. Item 1.b., “Auction rate preferred stock and any other perpetual preferred stock deemed by the Federal Reserve to be eligible for Tier 2 capital only,” item 2., “Total perpetual debt, undedicated portions of mandatory convertible securities and long-term preferred stock with an original maturity of 20 years or more that qualify for supplementary capital (after discounting),” and item 3, “Intermediate preferred stock with an original weighted-average maturity of 5 years or more; subordinated debt with an original weighted average maturity of 5 years or more; or unsecured long-term debt issued by BHC prior to March 12, 1988, that qualified as secondary capital (after discounting)” would be eliminated.

Schedule HC-H—Past Due and Nonaccrual Loans, Lease Financing Receivables, Placements, and Other Assets

1. Item 1, “Loans secured by real estate” as a total would be deleted. This item can be derived from the sum of the components of revised item 1.

New Schedules for “Other Assets” and Other Liabilities”

As mentioned previously, the Federal Reserve proposes to add two new schedules for the reporting of “Other Assets” and “Other Liabilities.” Items reported on these schedules consist of items currently reported on the Memoranda and Securities schedules, and certain new and revised items. The addition of these schedules will provide greater consistency with the presentation provided in the Call Report. The “Other Assets” schedule would consist of the following items: (1) Accrued interest receivables, (2) Net deferred tax assets, (3) Interest-only strips receivable (not in the form of a security) on Mortgage loans and Other financial assets, (4) Equity securities that do not have readily determinable fair values, and (5) Other. The “Other Liabilities” schedule would consist of the following items: (1) Net deferred tax liabilities, (2) Allowance for credit losses on off-balance-sheet credit exposures, and (3) Other.

Item 2 on the “Other Liabilities” schedule, “Allowance for credit losses on off-balance-sheet credit exposures,” is included on the balance sheet as a component of other liabilities separate from the allowance for loan and lease losses. At present, the limited number of BHCs that have an allowance for credit losses on off-balance-sheet credit exposures combine this allowance with their allowance for loan and lease losses when completing Schedule HI-B, Part II, (Changes in) Allowance for Credit Losses. Because the allowance for loan and lease losses is reported on the balance sheet (Schedule HC), the amount of the allowance for credit losses on off-balance-sheet exposures can be derived. However, as discussed previously, the Federal Reserve is proposing to revise the scope of Schedule HI-B, Part II. This change creates the need for the proposed new item to identify the amount, if any, of a BHC’s allowance for credit losses on off-balance-sheet exposures.

Schedule HI—Consolidated Income Statement

1. Item 5.b.(1) “Service charges on deposit accounts” and item 5.b.(2) “Other service charges, commissions, and fees” would be combined and retitled “Service charges on deposit accounts in domestic offices.” In addition, Memorandum item 5 would be deleted since this item was for the purpose of describing items included in 5.b.(2) that exceeded a particular threshold.

2. Memorandum item 4 “Income taxes applicable to gains(losses) on securities not held in trading accounts” would be deleted.

Schedule HI-B, Part II—Allowance for Credit Losses

1. Item 6, “Foreign currency translation adjustments,” would be combined with new item 5, “Adjustments.”

Revisions Related to the Gramm-Leach-Bliley Act of 1999

The Federal Reserve proposes to collect certain information to address the difference in the supervisory requirements for BHCs and newly formed financial holding companies (FHCs) that conduct insurance-related activities. While bank holding companies have engaged in a relatively limited amount of insurance-related activities for some time, the volume and complexity of insurance related activities engaged in by FHCs will likely increase as they take advantage of the provisions of the Gramm-Leach-Bliley Act of 1999 (GLBA).

Insurance related activities of BHCs have been limited to the provisions provided under Regulation Y and the Garn-St Germain Depository Institutions Act of 1982. Now FHCs, among other things, can engage in and affiliate with full service insurance companies providing insurance agency (sales) and underwriting activities. In addition, while traditional BHCs have been able to engage in various nonbank activities and new businesses, they were required to apply in advance to acquire or launch material new business lines. Today, BHCs that qualify as FHCs are able to rapidly enter insurance activities without advance notification to the Federal Reserve.

The existing FR Y9-C is structured to accommodate bank, securities and other activities incidental to banking, but not for insurance activities. With the latest Call Report proposal, adjustments are being proposed to reflect both new authority and financial innovation for bank-level activities and many of these same changes are also being proposed for the FR Y9-C. However, those Call Report adjustments do ***not*** include insurance underwriting, since that activity remains impermissible for banks. Because insurance underwriting affiliates are unique to FHCs, the FR Y9-C will need to reflect this special affiliation in a way that is useful to supervisors and the public without creating undue burden.

As an umbrella supervisor, it is essential for the Federal Reserve to evaluate the volume and nature of insurance activities conducted by an FHC on a fully consolidated basis. A few basic indicators of the nature and volume of the FHC’s insurance business that cut across legal entities and business lines will be critical, especially since the number of entities and related functional regulators involved with such activities can be substantial and impractical for the Federal Reserve to aggregate on its own. Moreover, with hundreds of BHCs now qualified as FHCs, monitoring those that have begun to engage in insurance activities, and how rapidly they are growing that business, will be extremely challenging. Regulatory disclosures will be particularly important for smaller FHCs that do not regularly publish statements to the marketplace. By adopting some modest reporting supplements to the FR Y9-C, the Federal Reserve will be better prepared to tailor and calibrate its supervisory and coordination efforts with functional supervisors on an as needed and risk-focused basis.

Simply stated, these data would serve to identify whether the organization has engaged in agency business (sales), underwriting and reinsurance activities and indicate the approximate size of its reserve positions (which constitute the largest liability for an insurance company and the most prominent source of insurer insolvency). These “identifiers” will serve as a tool for identifying when we will need to contact and coordinate with functional regulators to get additional information without duplicative or onerous burden on the FHC’s functionally-regulated entities.

The Federal Reserve proposes to add a new schedule HC-I, “Insurance-Related Activities,” to obtain the following “identifier” information: Part I, Property and Casualty; Part II, Life and Health; and Part III, All Insurance-Related Activities. Items proposed for Part I are: Agent balances; Reinsurance recoverables; Deferred acquisition costs and value of insurance acquired; Policy benefits, reserves, and loss adjusted expenses; and Unearned premiums. Items proposed for Part II are: Separate account assets; Asset valuation reserve and interest maximization reserve; Policy benefits, reserves, and loss adjusted expenses; Liabilities for premiums and other deposit funds; and Separate account liabilities. Items proposed for Part III are: Total assets and Net Income.

The Federal Reserve also proposes to add two “identifier” items to Schedule HI, Consolidated Income Statement. Under item 5, “Noninterest income,” item 5.i, “Premiums earned” would be added. Under item 7, “Noninterest expense,” item 7.d, “Benefits, losses and expenses from insurance related activities” would be added.

Instructions

Instructions would be revised and clarified in accordance with changes made to the Call Report instructions or will correspond to existing Call Report instructions.

FR Y-9LP

The FR Y-9LP includes standardized financial statements filed quarterly on a parent company only basis from each BHC that files the FR Y-9C. In addition, for tiered bank holding companies, a separate FR Y-9LP must be filed for each lower tier BHC.

The Federal Reserve proposes to make the following changes to the FR Y-9LP that are consistent with the changes to the consolidated statements submitted in the FR Y-9C:

Schedule PC-Parent Company Only Balance Sheet

1. Item 4.f, “Allocated transfer risk reserve,” would be deleted from the balance sheet. BHCs would report item 4.c, “Loans, net of unearned income” and item 4.d, “Leases, net of unearned income” net of any allocated transfer risk reserve.

2. Item 15, “Mandatory convertible securities,” with a two-way breakout between item 15.a, “Equity contract notes, gross” and item 15.b, “Equity commitment notes, gross” would be eliminated. Information on mandatory convertible securities would be included in item 16, “Subordinated notes and debentures.”

3. Items 20.e, "Net unrealized holding gains (losses) on available-for-sale securities," and 20.f, "Accumulated net gains (losses) on cash flow hedges" would be combined and reported as "Accumulated other comprehensive income." This change would conform the presentation of the equity capital section of the FR Y-9LP balance sheet to FASB Statement No. 130, *Reporting Comprehensive Income*.

4. A new item for "Other equity capital components" would be added to the equity capital section of the balance sheet. This item would include treasury stock and unearned Employee Stock Ownership Plan shares, which, under GAAP, are to be reported in a contra-equity account on the balance sheet. Treasury stock (item 20.g) would no longer be reported separately. This change will make the equity capital section more consistent

with GAAP and with the equity capital section of the balance sheet in the proposed bank Call Report and the Thrift Financial Report.

Schedule PI-Parent Company Only Income Statement

1. Item 2.c.(1), "Provision for credit losses," would be revised so that it includes only the provision for loan and lease losses. BHCs would report any provision for credit losses on off-balance-sheet exposures in item 2.d, "All other expenses."

2. Item 2.c.(2), "Provision for allocated transfer risk," would be eliminated as a specific income statement item. BHCs would report any provision for allocated transfer risk in item 2.d, "All other expenses."

Instructions

Instructions would be revised and clarified in an attempt to achieve greater consistency in reporting by respondents.

FR Y-9SP

The FR Y-9SP is a parent company only financial statement filed by smaller bank holding companies. Respondents include one bank holding companies with total consolidated assets of less than $150 million, and multibank holding companies with total consolidated assets of less than $150 million that meet certain other criteria. This form is a simplified or abbreviated version of the more extensive parent company only financial statement for large bank holding companies (FR Y-9LP). This report is designed to obtain basic balance sheet and income information for the parent company, information on intangible assets, and information on intercompany transactions.

The Federal Reserve proposes to make the following changes to the FR Y-9SP consistent with the previously described changes to the FR Y-9C.

Balance Sheet

1. Items 16.d, "Net unrealized holding gains (losses) on available-for-sale securities," and 16.e, "Accumulated net gains (losses) on cash flow hedges" would be combined and reported as "Accumulated other comprehensive income." This change would conform the presentation of the equity capital section of the FR Y-9SP balance sheet to FASB Statement No. 130, *Reporting Comprehensive Income*.

2. A new item for "Other equity capital components" would be added to the equity capital section of the balance sheet. This item would include treasury stock and unearned Employee Stock Ownership Plan shares, which, under GAAP, are to be reported in a contra-equity account on the balance sheet. Treasury stock would continue to be reported separately as Memoranda item 3 (if the amount exceeds 5 percent of equity capital). This change would make the equity capital section more consistent with GAAP and with the

equity capital section of the balance sheet in the proposed bank Call Report and the Thrift Financial Report.

3. Memoranda item 4, “Mandatory convertible securities, net,” would be eliminated.

In addition, the following change would be made independent of changes proposed to the FR Y-9C. Instructions for Memoranda item 1, “Total consolidated assets of the bank holding company,” indicate that this item is to be completed only by multibank holding companies with total consolidated assets of less than $150 million, without any debt outstanding to the general public and not engaged in a nonbank activity (either directly or indirectly) involving financial leverage and not engaged in credit extending activities. The Federal Reserve proposes to remove this reporting threshold and require all BHCs that file the FR Y-9SP to complete this item so that staff can monitor the size of these institutions.

Instructions

Instructions would be revised and clarified in an attempt to achieve greater consistency in reporting by respondents.

FR Y-11Q

The FR Y-11Q is filed quarterly by the top tier BHC for each nonbank subsidiary of a BHC with total consolidated assets of $150 million or more in which the nonbank subsidiary has total assets of 5 percent or more of the top-tier BHC’s consolidated Tier 1 capital, or where the nonbank subsidiary’s total operating revenue equals 5 percent or more of the top-tier BHC’s consolidated total operating revenue. The report consists of a balance sheet, income statement, off-balance-sheet items, information on changes in equity capital, and a Memoranda section.

Balance Sheet

1. Items 20.e, "Net unrealized holding gains (losses) on available-for-sale securities," and 20.f, "Accumulated net gains (losses) on cash flow hedges" would be combined and reported as "Accumulated other comprehensive income." This change would conform the presentation of the equity capital section of the FR Y-9C balance sheet to FASB Statement No. 130, *Reporting Comprehensive Income*.

2. A new item for "Other equity capital components" would be added to the equity capital section of the balance sheet. This item would include treasury stock and unearned Employee Stock Ownership Plan shares that, under GAAP, are to be reported in a contra-equity account on the balance sheet. Treasury stock (item 20.h) would no longer be reported separately. This change will make the equity capital section more consistent with GAAP and with the equity capital section of the balance sheet in the proposed FR Y-9C.

Memoranda

1. Consistent with changes proposed to the FR Y-9C, Memoranda item 7.a, “Loans and leases past due 30 through 89 days,” and Memoranda item 7.d, Loans and leases restructured and included in past due and nonaccrual loans,” would no longer be afforded confidential treatment.

2. The scope of item 12.a, “Income earned, not collected on loans,” would be expanded to cover all “Accrued interest receivable.” Broadening this category to include interest earned, not collected on earning assets other than loans would be more consistent with the typical presentation of accrued interest receivable in financial statements prepared for other financial reporting purposes.

Income Statement

Noninterest income: Noninterest income has grown substantially over the last few years as a source of revenue for BHCs. A more detailed breakdown of noninterest income would provide the Federal Reserve with valuable supervisory information on the amount and type of fee-generating activities within the BHC.

Therefore, the Federal Reserve proposes to add several new noninterest income categories to those currently collected in the FR Y-11Q income statement. These categories were selected in part based on a review of noninterest income information currently reported by BHCs in Schedule HI, Memoranda items 5 and 6, of the FR Y-9C. In these items, BHCs must itemize and describe, using their own terminology, their most significant categories of “Service charges, commissions, and fees” and “Other noninterest income.”

The categories of noninterest income that would be added as specific items on the FR Y-11Q income statement are: (1) investment banking, advisory, brokerage, and underwriting fees and commissions, (2) venture capital revenue, (3) net servicing fees, (4) net securitization income, and (5) insurance commissions and fees. The current income statement items for “Income from underwriting activities,” “Income from brokerage activities,” “Income from loan servicing,” and “Other service charges, commissions, and fees” (items 5.b.(2),(3),(4) and (6)) would be discontinued.

The new noninterest income items would provide greater comparability among the categories of noninterest income currently reported by BHCs. Some of the proposed noninterest income categories would represent the only information provided in the FR Y-11Q on certain activities. By collecting more detailed noninterest income data, the significance of each of these activities can be compared to other income-generating activities of the nonbank subsidiary and of the BHC.

Changes in Equity Capital

1. The Federal Reserve proposes to change the manner in which the previous year-end balance of equity capital is reported in this schedule so that it better corresponds with how this balance is presented in financial statements prepared in accordance with GAAP. At present, nonbank subsidiaries must report the "Equity capital end of previous calendar

year" in the FR Y-11Q in item 1. If the nonbank subsidiary has filed any amendments to this previous year-end FR Y-11Q report that affected its originally reported total equity capital, these equity capital adjustments are reported in item 6, and the amended equity capital balance for the previous year-end is reported in item 7. Item 1 would be revised to have nonbank subsidiaries report "Equity capital most recently reported for the end of the previous calendar year."

2. Item 5, "Foreign currency translation adjustments" would be replaced by an item for "Other comprehensive income." This new item would include any change in net unrealized holding gains (losses) on available-for-sale securities and any change in accumulated net gains (losses) on cash flow hedges (currently included in item 6, "Other adjustments"). Identifying "Other comprehensive income" in the changes in equity capital schedule is consistent with FASB Statement No. 130, *Reporting Comprehensive Income*

Instructions

Instructions would be revised and clarified in an attempt to achieve greater consistency in reporting by respondents.

FR Y-11I

The FR Y-11I is filed annually by all BHCs for each of their nonbank subsidiaries that are not required to file a quarterly FR Y-11Q. The FR Y-11I report consists of similar balance sheet, income statement, off-balance-sheet, and equity capital information included on the FR Y–11Q. However, some of the items on the FR Y-11I are collected in a less detailed manner. In addition, the FR Y-11I also includes a loan schedule to be submitted only by respondents engaged in extending credit.

Changes in Equity Capital

1. The Federal Reserve proposes to change the manner in which the previous year-end balance of equity capital is reported in this schedule so that it better corresponds with how this balance is presented in financial statements prepared in accordance with GAAP. At present, nonbank subsidiaries must report the "Equity capital end of previous calendar year" in the FR Y-11I in item 1. If the nonbank subsidiary has filed any amendments to this previous year-end FR Y-11I report that affected its originally reported total equity capital, these equity capital adjustments are reported in item 6, and the amended equity capital balance for the previous year-end is reported in item 7. The Federal Reserve proposes to revise item 1 and have nonbank subsidiaries report "Equity capital most recently reported for the end of the previous calendar year."

2. Item 5, "Foreign currency translation adjustments" would be replaced by an item for "Other comprehensive income." This new item would include any change in net unrealized holding gains (losses) on available-for-sale securities and any change in accumulated net gains (losses) on cash flow hedges (currently included in item 6, "Other adjustments"). Identifying "Other comprehensive income" in the changes in equity

capital schedule is consistent with FASB Statement No. 130, *Reporting Comprehensive Income.*

Schedule A—Loans and Lease Financing Receivables

1. Consistent with changes proposed to the FR Y-9C, item 7.a, "Loans and leases past due 30 through 89 days," and item 7.d, "Loans and leases restructured and included in past due and nonaccrual loans," would no longer be afforded confidential treatment.

Instructions

Instructions would be revised and clarified in an attempt to achieve greater consistency in reporting by respondents.

Reporting Panel

There are no revisions proposed to the reporting panels of the reports.

Frequency

There are no changes proposed to the reporting frequency of the reports. The current reporting frequencies provide adequate timely data to meet the analytical and supervisory needs of the Federal Reserve.

Time Schedule for Information Collection

The FR Y-9C and FR Y-9LP are reported quarterly as of the end of March, June, September, and December. The FR Y-9SP is reported semiannually as of the end of June and December. The FR Y-9 series of reports must be submitted to the appropriate Federal Reserve Bank within forty-five days after the date of the report.

The FR Y-11Q is reported quarterly as of the end of March, June, September, and December. The FR Y-11I is reported annually as of the end of December. The FR Y-11 series must be submitted within sixty days after the date of the report.

The data from the FR Y-9 and FR Y-11 series of reports that are not given confidential treatment are available to the public. Certain FR Y-9 data are available on the FFIEC website (www.ffiec.gov/nic). In addition, FR Y-9 and FR Y-11 data are available through the National Technical Information Service (NTIS).

Legal Status

The Board's Legal Division has determined that these reports are authorized by Section 5(c) of the Bank Holding Company Act [12 U.S.C. 1844(c)].

Overall, the Board's Legal Division does not consider the data in these reports to be confidential. However, a BHC may request confidential treatment pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. 552(b)(4) and (b)(6)]. Confidentiality is also granted pursuant to section (b)(8) of the Freedom of Information Act [5 U.S.C 552(b)(8)]. Section (b)(4) provides exemption for "trade secrets and commercial or financial information obtained from a person and privileged or confidential." Section (b)(6) provides exemption for "personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy." Section (b)(8) exempts matters that are "contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions."

The Board's Legal Division previously determined that Schedule HC-H, Column A, of the FR Y-9C, requiring information on "assets past due 30 to 89 days and still accruing" and Memoranda item 2 were confidential pursuant to Section (b)(8) of the Freedom of Information Act [5 U.S.C. 552(b)(8)]. The Legal Division also previously determined that loans and leases past due 30 to 89 days (FR Y-11Q, Memorandum item 7.a and FR Y-11I, Schedule A, item 7.a) and loans and leases restructured and included in past due and nonaccrual loans (FR Y-11Q, Memorandum item 7.d and FR Y-11I, Schedule A, item 7.d) were confidential pursuant to Section (b)(8) of the Freedom of Information Act [5 U.S.C. 552(b)(8)].

As stated in the proposed revisions sections above, the Federal Reserve will propose for public comment to make all financial information collected on these reports publicly available. After evaluating the public comments on this issue, the Board's Legal Division will determine whether these items should remain confidential.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimates of Respondent Burden

For the FR Y-9 series of reports, the annual reporting burden would decrease by approximately 4,718 hours to an estimated total annual burden of 299,660 hours as shown in the table below. This decrease is associated with making the reporting forms more consistent with other reporting requirements and with a net decrease in the number of line items on these reports. For the FR Y-11 series of reports, the annual reporting burden would increase by approximately 250 hours to an estimated total annual burden of 22,933 hours as shown in the table below. This increase reflects a net increase in the number of line items for these reports. The majority of this increase can be attributed to several new noninterest income items. The total burden for the FR Y-9 and FR Y-11 series of reports represents less than 4 percent of total Federal Reserve System annual burden.

	number of respondents	annual frequency	estimated average hours per response	estimated annual burden hours
<u>Current</u>				
FR Y-9C	1,730	4	33.93	234,796
FR Y-9LP	2,115	4	4.61	39,001
FR Y-9SP	3,796	2	3.87	29,381
FR Y-9CS	600	4	0.50	1,200
total				304,378
FR Y-11Q	567	4	6.24	14,152
FR Y-11I	2,633	1	3.24	8,531
total				22,683
<u>Proposed</u>				
FR Y-9C	1,730	4	33.45	231,474
FR Y-9LP	2,115	4	4.49	37,985
FR Y-9SP	3,796	2	3.82	29,001
FR Y-9CS	600	4	0.50	1,200
total				299,660
change				-4,718
FR Y-11Q	567	4	6.35	14,402
FR Y-11I	2,633	1	3.24	8,531
total				22,933
change				+250

Based on an average hourly cost of $20, the estimated annual cost to the public would be $6,541,220.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing the current FR Y-9C, FR Y-9LP, and FR Y-9SP is estimated to be $1,773,656 annually. Under the proposed revisions, the annual cost would increase by $52,179 to $1,825,835. The total one-time implementation cost for these reports is estimated to be $241,728.

The estimated cost to the Federal Reserve System for collecting and processing the current FR Y-11Q and FR Y-11I is estimated to be $449,633 annually. Under the proposed revisions, the annual cost would increase by $3,474 to $453,107. The total one-time implementation cost for these reports is estimated to be $67,559.

Attachment

Attachment
FR Y-9C, FR Y-9LP, FR Y-9SP, FR Y-11Q, FR Y-11I
Proposed Report Form Revisions